



THE SWEET SMELL OF SUCCESS

ESTÉE LAUDER HONORED AT WORLD TRADE WEEK EVENT

by Anastasia Xenias

New York Export Assistance Center, U.S. Commercial Service

From its origins in 1946 as a small skin-care products company, Estée Lauder, Inc. has successfully grown into a global cosmetics enterprise.

The New York Export Assistance Center, in conjunction with the New York International Trade Alliance, has selected Mrs. Estée Lauder to receive the Annual International Business Leader of the Year Award for her company's outstanding contribution to international business. This award is the first to honor a woman-owned international business and will be presented by Representative Carolyn Maloney (D-N.Y.) at the commencement of World Trade Week in New York City. Accepting the award on behalf of Mrs. Lauder will be Ms. Jeanette Sarkisian Wagner, vice chairman of the company and a major force in its global expansion. Each year, the third full week of May is designated by the president as World Trade Week. In New York City and nationwide, events are held throughout the week to educate businesses and the public about the benefits of trade and how it fosters economic growth.

Mrs. Lauder was chosen for the award because her company symbolizes how a small, woman-owned business can grow to become a world-renowned international business. From the M·A·C counter at the Corte Ingles department store in Madrid to the Origins store at the Sogo department store in Taipei the Estée Lauder Companies, Inc. grace the globe with their prestigious brands. In 1946, Mrs.

Lauder and her husband Joseph started the company with four skin care products. Today, the company has a portfolio of 16 brands and sells its skin-care, makeup, fragrance and hair care products to consumers in over 120 countries.

Estée Lauder's brands include Estée Lauder, Clinique, Prescriptives, Aramis, Origins, M·A·C, Bobbi Brown, La Mer,



Ms. Jeanette Wagner (left) meets with trade specialist Anastasia Xenias of the New York Export Assistance Center.

Photo courtesy of U.S. Commercial Service

jane, Aveda, Stila, Jo Malone, and Bumble and bumble. In addition, the company licenses the fragrance and cosmetic lines of Donna Karan, Kate Spade, and Tommy Hilfiger. Products are sold worldwide through some 36,000 outlets including department stores, free-standing stores, perfumeries, travel retail outlets, professional salons, and the Internet.

How did Estée Lauder accomplish such a feat? The answer lies in the company's strong leadership, global vision, and its ability to recognize and pursue new opportunities. Building on its internal strengths and the diversity of its portfolio of brands, Estée Lauder has been able to reach consumers in nearly every corner of the world. The globally-oriented leadership at the Estée Lauder Companies has been the driving force behind the company's success in penetrating global markets.

Besides including family members in executive positions, Estée Lauder has always appreciated the skills of women. Among its top executives is Jeanette Wagner who is vice chairman of the company. Before becoming vice chairman, Ms. Wagner managed the company's international operations for 12 years from 1986 to 1998. In this position, Wagner was credited with propelling the company to a new level of global expansion. Her many accomplishments include the development of new distribution concepts, such as the first free-standing stores for the Estée Lauder and Clinique brands in Eastern Europe and Russia. In addition, she worked to open new markets for the company in China and in every major Asia-Pacific country. Under the 12 years of Ms. Wagner's direction, the international division of Estée Lauder posted revenue growth of 200 percent and profits grew by 250 percent.

DOING YOUR MARKETING HOMEWORK

Ms. Wagner's advice to companies considering overseas expansion is to "do



Ms. Wagner (left), Fred Langhammer and Philip Shearer of the Estée Lauder Companies meet with members of the Clinique retail team in Beijing

Photo courtesy of Estée Lauder Companies, Inc.

your homework." Since the beginning of its international operations, the company has always conducted in-depth research to determine the feasibility and compatibility of its products with each particular market — what Ms. Wagner calls "sensitivity at your fingertips." "Many fail because they don't do their homework," says Ms. Wagner.

A vital aid to doing her "homework," according to Wagner is the excellent market research provided by the U.S. Department of Commerce and the U.S. Commercial Service. "Companies don't know the resources the Department of Commerce can provide. The market research and information on a potential foreign partner, such as reputation in the marketplace, are very valuable."

Ms. Wagner herself has taken advantage of these resources. "I always connected with the Commercial Service in every market, most recently I saw the Senior Commercial Officers in China and Korea. U.S. small business owners who can't spend a lot of money will value the programs and services of the U.S. Commercial Service. When they

are developing international marketing plans — this is where the Commerce can help." This emphasis on market research has helped the Estée Lauder's global expansion — for example, by incorporating cultural and regional sensitivity in its marketing, and making adjustments based on preferences.

A CORPORATE FOCUS ON GLOBAL EXPANSION

Undoubtedly, the force and vision of Estée Lauder's leadership have also been important factors of the company's global success. According to Leonard Lauder, chairman of the board, "It takes an organization with the experience, the systems, the products and the leadership to see opportunity accurately and move on it quickly." It is this corporate vision that has motivated the company to expand into new markets across the globe.

Estée Lauder's international operations officially commenced in 1960, with the company's first contract with Harrod's in the United Kingdom. According to Ms. Wagner, Harrod's was selected because it is one of the most prestigious and well-known department stores in

Photo courtesy of Estée Lauder Companies, Inc.



Philip Shearer, Group President, International (left) Fred Langhammer and Jeannette Wagner meet with members of the Estée Lauder team in Beijing, China.

the world. Because of its visibility in Europe, it served as a springboard to other European markets. Shortly thereafter, the company made its foray with the Estée Lauder brand into new markets in the Americas, Europe and Asia. In the late 1960s the Aramis and Clinique brands were founded and a manufacturing facility was established in Belgium.

In the 1970s, Clinique was introduced overseas and Estée Lauder began to explore new opportunities in the former Soviet Union. During the 1980s, the company made considerable progress in reaching markets which were still out of reach for many American companies. For example, in 1989 Estée Lauder was the first American cosmetic company to enter the former Soviet Union when it opened a perfumery in Moscow. The same year, it established its first free-standing beauty boutique in Budapest, Hungary, the birthplace of Mrs. Lauder.

The firm opened some of its free-standing stores overseas because it could not find the right channels of distribution to maintain the brand's standards. "You have to be perfect when you are establishing a brand,"

says Ms. Wagner. This had the added effect of contributing to the modernization of some retail sectors, as competitors sought to emulate the elegance of the new Estée Lauder stores.

The 1990s were a decade of growth and expansion, with the establishment, or acquisition, of such new brands as Origins, M·A·C, Bobbi Brown, Tommy Hilfiger, and Stila. As these new brands were introduced to overseas markets, the Estée Lauder and Clinique brands moved further into untapped markets such as China. The products even made it into outer space: in 1991, the astronauts aboard the U.S. space shuttle used Clinique products. Recently, Clinique established a presence in Vietnam. According to Ms. Wagner, the company is focusing further on China and the rest of Asia. In addition, there are still many opportunities in Europe. The company will continue to look to Latin America for expansion, but with caution, due to economic circumstances and political instability.

ACCOMODATING DIVERSE GLOBAL MARKETS

Estée Lauder has built strong brand equity all over the world with each

brand having a single, global image. The company's philosophy to never compromise brand equity has guided it in its selection of the appropriate channels of distribution overseas. In the United States and overseas, products are sold through limited distribution channels to uphold the particular images of each brand. Before the company establishes or acquires a new brand, it is evaluated in terms of long-term global growth potential and its ability to complement the existing portfolio.

At the same time, Estée Lauder has been successful in responding to the needs of different markets. In Asia, for example, a system of products was developed to whiten the skin. This ability to adapt and create products to specific market needs has contributed greatly to the company's ability to enter new markets.

Estée Lauder's global strategies have paid off. In 2001, 61 percent of net sales came from the Americas, 26 percent from Europe, the Middle East, and Africa, and 13 percent were from Asia/Pacific countries. For the past five years, international sales have increased 9.8 percent annually. Estée Lauder has

manufacturing facilities in the United States, Canada, Belgium, Switzerland, and the United Kingdom, and research and development laboratories in the United States, Canada, Belgium, and Japan.

Estée Lauder's advantages lie in the strength and diversity of its brands and its outlets for reaching consumers. Nonetheless, in today's ever-changing world, challenges lie ahead. Increased communications, competition, and consumer awareness all demand that Estée Lauder stay on the cutting edge of its market niche. As for trade barriers, "we have encountered all of them in every country," says Ms. Wagner. The best way to deal with them is "to do your homework and build relationships."

SUCCESS BRINGS RECOGNITION

Mrs. Lauder and her company have received numerous accolades for their contributions to the cosmetic, skin care, and fragrance industries. Among Mrs. Lauder's many awards of distinction include honors from the Cosmetic Executive Women and the American Society of Perfumes. She was inducted into the U.S. Business Hall of Fame by Fortune and was the first person to twice receive the Neiman Marcus Award for Distinguished Service in the Field of Fashion. Many of Estée Lauder's brands have been recognized in the United States and overseas for their high quality and innovative features. In the United States, these include awards from the Skin Cancer Foundation, the Fragrance Foundation, and a variety of beauty and health magazines.

Estée Lauder exemplifies the definition of a global company. International operations are not an afterthought, but are an integral part of the company's overall growth strategy. While challenges remain, Estée Lauder is well-equipped to move even further into new parts of the world. ■

FOR EXPORTING, WOMEN NEED APPLY

Estée Lauder is the symbol of success for many women involved in international business. Today, more and more women in the United States are small business owners and many women are at the helm of organizations related to international business. According to Diane McDonald, president of the New York chapter of the Organization of Women in International Trade (OWIT), "it is equally important for women and men to enter the international marketplace. Women are an entrepreneurial force around the world and it is vital that women-owned businesses in the United States tap into these marketplaces of products, services, and ideas." Some examples of women in international trade include:

- Donna Sharp is the executive director of New York's World Trade Institute at Pace University and the 2002 chairperson of World Trade Week. Her organization's mission is to provide experience-based training and education to individuals, companies, and organizations to help them compete globally.
- The Organization of Women in International Trade is a professional organization designed to promote women doing business in international trade. The organization provides a forum for networking and educational opportunities. OWIT has 20 chapters in the United States and 10 overseas.
- The U.S. Commercial Service has been led by a woman director general for the past 10 years, most recently by Maria Cino
- The U.S. Export Assistance Center in New York where Ms. Anastasia Xenias is the trade specialist responsible for assisting companies in the cosmetic, fashion, and tourism industries to export their products. Ms. Xenias works with many woman-owned small business exporters such as Firoze Nail and Skin Care (a special line of nail polishes developed as "color with treatment" without formaldehyde by celebrity manicurist Firoze Salimi) and Suzanne de Paris Produit et Institut de Beauté International, a high-quality line of skin care products made with unique natural ingredients developed and marketed by the mother-daughter team of Comtesse Suzanne and Brenda de Paris from their exclusive New York City salon. "The Commerce Department has always been a great help to us," says Comtesse Suzanne. According to Ms. Xenias, "both firms are following Ms. Wagner's excellent advice and are doing their homework, in partnership with the Commercial Service. "We hope to help build future success stories for women-owned exporters as impressive as the global presence of Estée Lauder."